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INFORMATION INDUSTRY ASSOCIATION

January 27, 1997

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Office of the Secretary
Federal Communications Commission
Washington, D.C. 20554

CC 94-1

Dear Mr. Secretary:

Enclosed please find an original, twelve (12) copies and diskette of the comments of the Information Industry Association (IIA) in the Notice of Proposed Rulemaking, CC Docket No. 96-262. If you have any questions, please contact me at (202) 319-0143.

Sincerely,

William R. Ashworth
Assistant Counsel

Enclosures

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Before the
Federal Communications Commission
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)	
)	
Access Charge Reform)	CC Docket No. 96-262
)	
Price Cap Performance Review for)	CC Docket No. 94-1
Local Exchange Carriers)	
)	
Transport Rate Structure)	CC Docket No. 91-213
and Pricing)	
)	
Usage of the Public Switched)	CC Docket No. 96-263
Network by Information Service)	
and Internet Access Providers)	

**Comments of the
Information Industry Association**

The Information Industry Association (IIA) hereby submits its comments in response to the Commission's Notice of Proposed Rulemaking¹ in this proceeding. The Commission has initiated this rulemaking pursuant to the congressional directives set out in the Telecommunications Act of 1996² to develop competition in the telecommunications industry by establishing a pro-competitive, deregulatory national policy framework.³ Recognizing the need for a fundamental restructuring of the current access charge regime, IIA heartily endorses the Commission's position that information

¹ Access Charge Reform, CC Docket No. 96-262, Notice of Proposed Rulemaking (December 24, 1996)[hereinafter "Notice"].

² Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996) (to be codified at 47 U.S.C. §§ 151 et. seq.) [hereinafter "1996 Act"].

³ S. Conf. Rep. No. 104-230, 104th Cong. 2d Sess. 1 (1996) (Joint Explanatory Statement), See 47 U.S.C. § 253, 47 U.S.C. § 252(d)(2), 47 U.S.C. § 251(c)(4).

service providers should not be required to pay interstate access charges as currently constituted.

IIA is a trade association of more than 550 companies engaged in the generation, distribution, transmission and use of information products and services. IIA's members provide access to many of the digital networks that comprise the National Information Infrastructure ("NII") and the Global Information Infrastructure ("GII"), as well as the content that is provided on those networks. As content and access providers, our members are dependent upon telecommunications facilities. Therefore, any proceeding which affects the pricing of and access to transmission facilities will have a direct impact on IIA members' services and markets.

Our members have been at the forefront of the private sector's efforts to introduce new information services to the public. Because of their position as providers of local exchange and interLata service, content, and interactive network access, our members have a vital interest in the outcome of this proceeding. Access charge reform must be viewed through the prism of the rapid restructuring and explosive technological advances currently taking place within the telecommunications and information industries. We appreciate the opportunity to comment on this current proceeding.

The current access charge regime should not be applied to information service providers. (Section VII. B. Treatment of Interstate Information Services, para. 282, 283, 288)

As the commission indicated in this NPRM, the current interstate access charge regime requires incumbent LECs to maintain rate structures that are inherently

inefficient.⁴ As currently constituted, access charges are priced at a level which does not reflect the true cost of connection to the underlying network and contains implicit subsidies for universal service. IIA believes that access charges should be priced at cost and that subsidies should be explicit and not included within access charges.

The access charge regime was originally conceived as a method for incumbent LECs to recover the cost of initiating and terminating interstate calls to their local networks. However, information service providers are not carriers. Rather, they are consumers, in that they must purchase access to the telecommunications infrastructure from carriers in order to connect their customers with the interactive networks. There would be several repercussions if information service providers were treated as carriers.

First, attempts to regulate information services via taxes or inflated access charges will threaten the vitality of the information services market by increasing the costs for information services. As the commission's comments indicate, the usage of information services and the NII continues to increase exponentially. This dovetails with the 1996 Act's mandate to preserve the free market atmosphere in this electronic medium. Indeed, it is a direct result of this laissez-faire environment which has permitted the explosive growth of this new medium and the concomitant ability of millions of users to obtain access to it. Information services are efficiency enhancing inputs to all economic sectors and are critical in insuring that American industry remain competitive in international markets. Imposing non-cost based fees, which would inevitably be passed onto consumers, would discourage certain sectors of the public from availing themselves of these services.

⁴ Notice at 7.

It makes little sense to raise artificial barriers to the availability of a product which gives American entrepreneurs a competitive advantage in the global economy.

Secondly, requiring information service providers to allocate a portion of their resources to access charges as currently defined would be detrimental to most small and emerging information service companies, whose profit margins are extremely narrow. To require them to subsidize other industries or pay inflated costs would threaten their growth by misallocating financial resources that could otherwise be used to invest in new technologies. Such a policy would be inconsistent with the 1996 Act's mandate of promoting competition within the industry by allowing nascent companies to develop and invest in new technologies, thereby providing consumers with modern services at lower costs.

Finally, the imposition of access charges as currently constituted will place information service providers at a competitive disadvantage to the benefit of other traditional means of communication such as catalogue or mail services. Exempting information service providers from the current regime will encourage consumers to use new information services and promote competition between the traditional and emerging providers, thereby reducing prices to consumers.

Conclusion

Requiring information service providers to pay interstate access charges as currently constituted will thwart the procompetitive, deregulatory mandate of the 1996 Act. Access charges which do not reflect the true cost of connection to the local network will dampen the ability of certain consumers to use information services and misallocate

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certain resources that could otherwise be used to invest in new technologies. IIA
appreciates the Commission's willingness to solicit industry comment on the full range of
issues raised by the 1996 Act.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "RDunn", is positioned above the typed name and title.

Ronald Dunn, President
Information Industry Association
1625 Massachusetts Avenue, N.W.
Suite 700
Washington, D.C. 20036

Dated: January 27, 1997

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1 Diskette (Vital 96-262)